

MICHAELA A. GALER CPA, P.C.

Certified Public Accountant

2007 YEAR END NEWSLETTER



Happy Holidays to clients and friends! It's time to start preparing for the 2007 income tax filing season. Time to begin organizing income and deduction documentation. This newsletter provides a summary of the key 2007 tax changes.

2007 Tax Act Highlights:

- ☞ Standard mileage deduction increased to 48.5 cents/mile. (50.5 cents/mile for 2008)
- ☞ 3 new energy credits for residential property: up to \$2,000 including insulation, windows, boilers, water heaters, etc.
- ☞ Kiddie Tax threshold increased from age 14 to age 18 for 2007.
- ☞ Increased thresholds allowing more taxpayers to deduct education credits.
- ☞ Obesity related cost prescribed by a doctor may be deductible.
- ☞ Clean-fuel vehicle credits for numerous hybrid vehicles.
- ☞ An increase in the first-year expensing of business equipment, up to \$125,000.
- ☞ Tightening of rules regarding cash and non-cash contributions. ALL donations must have written proof.
- ☞ PMI Insurance deductible on new home purchase.

Year-End Tax Savings Strategies

- Sell losing stock and generate up to \$3,000 in deductible losses.
- Contribute to your favorite charity. Make a cash or non-cash donation (clothing, etc.) You can contribute up to 50% of your adjusted gross income. Remember to get a receipt.
- Contribute to your retirement fund (IRA, Simple, SEP). With some plans, you have until the filing date of the tax return and possibly extensions to make the payment.
- Set-up a Section 529 College Savings Plan for future tax savings and college tuition.
- Self-employed businesses: delay year-end billings so payment will be received next year. Pay as many expenses as possible before year-end, especially when purchasing business vehicles or equipment. The entire cost can be written off, if the business has a profit.
- Review your Flexible Spending Account and use the remaining balance. Over the counter medication can be purchased with FSA dollars-stock up and save.
- Gift-Tax: Transfer up to \$12,000 per recipient, per donor, each year tax-free.

Financial Planning Services

Please contact us regarding financial planning services including: retirement plans, college savings plans, investments, tax planning, IRA/401(k) rollovers, estate planning, insurance, etc.

Please call (781) 821-2155 or (508) 760-2255, on the Cape, with any questions on how this information may impact your particular situation. We look forward to working with you in the coming months.

Sincerely,

Michael and my office staff: Michelle, Renée, Anna, & Eileen

